



HOW TO AVOID INSURANCE RENEWAL SURPRISES

Lightning Master's Bruce Kaiser explains how operators and owners can mitigate significant increases in insurance renewal costs with an interim standard for lightning protection & supplemental insurance

As Ben Franklin, ironically of lightning rod fame, once said, 'In this world nothing can be said to be certain, except death and taxes'. Well, he was almost correct. He forgot about insurance cost increases.

As a result of increased claims activity from lightning strikes, many insurance companies are now restricting or excluding coverage for lightning damage. This is passed along to owner/operators who discover at the time of policy renewal that if coverage has not been excluded then insurers have at least imposed higher rates or higher deductibles, or both in some cases. In the case of higher deductibles, insurers are increasing these not just a little, but a lot. It is not unusual to see the deductible for lightning damage jump from \$50,000 to \$500,000. This is unreasonably and particularly burdensome for operators in high lightning areas.

Many sites out there have no lightning protection at all. Some have sub-par protection because of poor equipment and/or poor installation and/or poor maintenance, giving the owner and insurance carrier a false sense of protection. The solution is to equip each site with a full-up lightning protection system, then maintain that system in good operating condition. Inspection and maintenance (I&M) are critical factors.

Lightning Master has found that tanks that were equipped with a good lightning

protection system and were subsequently damaged by lightning invariably suffered from a compromised system. In some cases, the site had been expanded without expanding the lightning protection system. In other cases, the lightning protection system had been disconnected. This has been particularly common in the case of contained fluid level sensors. The sensor contractor disconnected the lightning protection bonding to work on their sensors, then neglected to reconnect it when they concluded their work. In other cases, the site plumbing or venting had been reconfigured without reconfiguring the lightning protection system.

Another factor in the industry is the lack of guidance in the form of standards or recommended practices to cover these particular types of facilities. American Petroleum Institute (API) documents offer little guidance for protection of 12 series tanks. API 2003 (Protection against ignitions arising out of static, lightning, and stray currents) contains some guidance, but is short on particulars. API 545 (Recommended practice for lightning protection of aboveground storage tanks for flammable or combustible liquids) has been recalled and the committee disbanded. National Fire Protection Association NFPA 780 (Standard for the installation of lightning protection systems) offered some general guidance in

chapter 7, but the next edition scheduled for publication in 2020 will specifically exclude non-conductive tanks.

That is a major problem for the industry, in that most tank ignitions are in fiberglass tanks. The committee could reach no consensus on how to address the problem, so they simply excluded that class of tank from the document.

In order to help address these problems, Lightning Master has come up with two solutions: 1) an interim standard for lightning protection of these sites, and 2) a unique insurance product that provides low-cost and low-deductible coverage for lightning damage.

In the absence of a document that specifically addresses standards for non-conductive tank sites, the company has been working with Underwriters Laboratories to develop such a standard and an associated inspection programme that will deliver an engineering inspection report (EIR). Underwriters Laboratories (UL) is a Nationally Recognised Testing Laboratory (NRTL), that is, the big dog in the lightning protection industry. Lightning Master identified applicable principles found in API 2003, API 545 and NFPA 780, and combined them into a standard that establishes minimum practices and techniques for protecting these sites. By meeting the requirements of this standard, owner/operators will secure at least a modicum of effective

protection, hopefully lowering lightning ignition occurrences. This standard is intended to be an interim measure until a consensus standard is developed. This arrangement will offer the additional benefit of offering third-party certification through UL.

Regarding supplemental insurance, the company has teamed up with two specialist insurance brokers JH Blades in Houston and Ed Broking in London to offer Lightning Master's clients a new and unique product from Lloyd's of London - TankAssure 360. This is a stand-alone lightning insurance policy specifically covering sites protected by the company's lightning protection systems. It can be used to either cover the increase in the self-insured deductible or replace coverage where insurers have excluded lightning. We are all familiar with umbrella policies that provide limits over and above basic coverage. It may be helpful to think of this new type of insurance as 'mushroom' coverage, filling in under basic coverage.

This insurance is unique in several ways. Ed Broking has established a dedicated web site, and coverage is applied for online with no application forms and no phone calls. Quotes can be obtained in minutes answering only three questions about a site. Once coverage is in place, in the event of a lightning strike, this product will (subject to terms and conditions)

pay to repair or replace the tanks, the tank contents, and any other property at the site that is damaged as a result of the strike. It will also cover costs to remove debris and clean up pollution. Coverage limits are determined automatically based upon the size of the insured site, but limits of up to \$5,000,000 are available. One of the most important features is the deductible structure; TankAssure 360 will offer deductibles as low as \$5,000, which are unparalleled in the commercial insurance market. Furthermore, there is no need to change existing insurance arrangements or incumbent insurer. This coverage has been designed to complement any existing insurance policies.

To obtain this insurance:

1. The site must be protected by a full LMC system,
2. The installation must be performed or supervised by LMC,
3. The completed installation must be inspected by LMC upon completion and at least annually thereafter,
4. The site may not be expanded or otherwise modified, and the system may not be disconnected – coverage is discontinued during such periods

At the successful completion of step 3, and

annually thereafter, LMC will assign or update a discrete identification number. That number will then be used by the insurance broker to apply online for coverage or renewal.

This solution is not perfect. Firstly, the industry needs to develop a consensus document covering lightning protection for these sites. API does not appear to be ready to address this issue, and NFPA has punted the ball a minimum of three years out. However, NFPA does appear to be in the best position to develop such a standard.

Secondly, the industry needs to reduce claims for lightning damage, so the loss runs justify returning to traditional levels of deductibles and premiums. This will take a commitment by owners and operators to install and maintain effective lightning protection on all sites. Once that is achieved, the industry must pass the test of time with reduced claims to justify lower insurance costs.

FOR MORE INFORMATION

This article was written by Bruce Kaiser, president, Lightning Master. www.lightningmaster.com

